

Appendix N:

Inspection and Enforcement Procedures

All oil and gas drilling activities conducted on federal leases require prior approval by the BLM and the surface management agency (SMA). BLM is responsible for all down-hole operations while surface operations require the approval of the appropriate SMA or private landowner. Once activities are approved and construction commences, physical inspections are conducted by BLM to ensure compliance with the approved plans, prescribed mitigative measures and federal regulations.

Inspections are conducted throughout the construction, drilling and production phases. During the construction phase, the SMA may assign an individual to monitor road and pad construction including topsoil stockpiling, cuts and fills. BLM will generally perform one inspection at the time the pit liner is installed. During this inspection, the overall construction for the drill pad and road is examined to ensure compliance with the approved permit.

During the drilling phase, random inspections of the drill rig are conducted usually once a week. In addition, inspections are conducted whenever casings are cemented or blow out preventors are tested and to follow up on required corrective actions. These inspections are performed to ensure the operations will be conducted in a safe, environmentally sound manner according to terms of the drilling permit and federal regulations.

Producing leases are inspected randomly throughout the year to ensure operations are conducted with the terms of the lease, the drilling permit and federal regulations. Because of the sensitive environmental setting, producing leases in the Blackleaf area are considered a high priority and are inspected at least annually.

Whenever deficiencies or activities that do not comply with the intent of the approved drilling permit, mitigative measures, or applicable federal regulations are discovered (e.g. dogs or guns on drilling location, improperly sealed sales tanks, etc.) an incidence of non-compliance (INC) is issued to the operator or company representative. Depending

upon the severity, the INC is classified as either a major or minor violation.

For most violations the operator is provided an abatement period (up to 20 days) in which to correct the INC. Violations that are provided an abatement period but are not corrected in a timely

penalties in amounts ranging from \$5,000 to \$25,000 per day for each day the violation continues. Civil penalties are capped at a varying amounts depending upon the violation. Further information can be found in the code of Federal Regulations part 3160. Should the civil penalties not achieve the desired results the lease will be terminated and the operator barred from future operations on federal leases.